

## Credit Union Organization Information Package

The following pages contain information on how to start a new, or “de novo” credit union. Section 1 of the Michigan Credit Union Act, which addresses the origination of state-chartered credit unions, can be viewed at [www.michiganlegislature.org](http://www.michiganlegislature.org).

You should understand that all members of the credit union have an equal share of the institution. Any excess capital over the par share value that may be contributed by persons or organizations is "donated capital" and those persons or organizations would receive no additional return or ownership from it.

The amount of capital will determine the size of loans that can be made. The aggregate lending limit for any single member of a credit union is the greater of \$20,000 or 20% of total “reserves and undivided earnings,” which is essentially the credit union’s capital. As you can see, until the credit union builds up capital of \$100,000, no loans over \$20,000 can be made, and the limit moves up by only 20 cents for every dollar of capital over that. This means it can be difficult for a startup credit union to make new car loans, let alone home mortgages. As a credit union grows, larger and more complex loans types (credit cards, for instance) become more practical.

Michigan state-chartered credit unions are also required to have share (deposit) insurance from the National Credit Union Administration, and must therefore meet the NCUA’s requirements as well.



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE SERVICES  
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES  
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS  
COMMISSIONER

**TO THE APPLICANT:**

Re: Application for Permission to Organize a Credit Union

In response to your request, please find the enclosed Application for Permission to Organize a State-Chartered Credit Union and related reference materials. An original, signed application must be submitted to this office together with the sum of \$25.00 which shall be payable to the State of Michigan. Please refer to section 1 of the Michigan Credit Union Act, PA 285 of 1925, as amended, for the statutory criteria to be met in organizing a credit union.

Prior to filing an application with the Office of Financial and Insurance Services (OFIS), it is strongly recommended that the organizers of the proposed credit union meet with OFIS personnel to discuss the field of membership and operational concepts of the proposed credit union. Telephone (517) 241-9981 for an appointment.

Credit union membership is limited to persons who are members of a group(s), which has a common bond of occupation, association, or community, or to persons who are members of groups within a well-defined neighborhood, community or rural district. The means for identification of such groups can include the type of work or activity, employer, church, lodge, club or other recognized organization, or a well-defined geographic factor(s) that would distinguish the group from the general public.

Experience has shown there should be a potential for approximately 500 primary members in order to assure a reasonable chance of success, and to be of service to members. Smaller groups may be able to obtain credit union service by aligning with an existing credit union.

Applicants must provide information on the nature of the common bond, and the benefits to prospective members. Capable persons must be available to volunteer their time to serve as chairperson, vice-chairperson, treasurer, directors and committee members, as applicable.

The following trade associations may be of assistance to you:

Michigan Credit Union League  
P.O. Box 8054  
Plymouth, Michigan 48170-8054  
Telephone (800) 262-6285

MACU Association Group  
3262 South Cabaret Trail, Suite 205  
Saginaw, Michigan 48603  
Telephone (800) 572-4597

Enclosure

## Application for Permission to Organize a State-Chartered Credit Union

The Commissioner of the Office of Financial and Insurance Services has determined this application to be available for public inspection or copying pursuant to the provisions of the Freedom of Information Act, PA 442 of 1976; MCL 15.231 et seq., and section 2109 of the Michigan Banking Code, PA 276 of 1999, as amended; MCL 487.12109. Accordingly, except as otherwise indicated in this application, the contents of the application shall be disclosed to any person who properly requests an opportunity for inspection, examination or copying.

1. It is the responsibility of the organizers to ensure that the statutory requirements in connection with this application are satisfied.
2. The application information must be typed and submitted on the attached forms.
3. The application must be filed with original signatures where applicable. The filing of an application does not authorize the organizers to begin operation of a credit union. An application may be formally withdrawn by written request of the Applicant, or it must be allowed to proceed to a decision.
4. The Office of Financial and Insurance Services (OFIS) will not accept an incomplete application. Complete responses to all applicable questions will expedite processing of the application.
5. OFIS may contact any or all organizers, individually or collectively, for information regarding this application. Each proposed organizer, director, and principal officer (chairperson, vice-chairperson, treasurer/general manager) must return the Background Information form FIS 1016 (under separate cover) with an original signature to OFIS.
6. All information provided to OFIS as a result of the application will be made a part of the application file, except that information which warrants other treatment as determined by OFIS.
7. If additional space is necessary to fully answer any question, extra sheets may be attached to this application.
8. Amendments to the application must be submitted in writing. Each amendment must clearly note the specific section, page, and item which is to be amended. Substantive amendments will be acknowledged in writing by OFIS.
9. Any questions pertaining to the completion of this application should be directed to the Enterprise Monitoring and Insurance Examination Division at (517) 241-9981.
10. A completed application should be mailed to:

**OFFICE OF FINANCIAL AND INSURANCE SERVICES  
ATTENTION: ENTERPRISE MONITORING AND  
INSURANCE EXAMINATION DIVISION  
P.O. BOX 30220  
LANSING, MI 48909-7720**

## Application for Permission to Organize a State-Chartered Credit Union

Proposed Credit Union Name		Date of Application
Proposed Credit Union Address		City, Village or Township
County	State MICHIGAN	Zip Code

Representative responsible for responding to questions relating to this application.

Name	Title	Telephone Number
Address	City, Village or Township and State	Zip Code

"Credit Union" means a cooperative, nonprofit association incorporated under Act 285 of the Public Acts of 1925, as amended (MCL 490.1 et seq.) for the purposes of encouraging thrift among its members, creating a source of credit at legitimate rates of interest, and providing an opportunity for its members to use and control their own money on a democratic basis in order to improve their economic and social condition [section 1a(b)].

### Excerpts from the Michigan Credit Union Act:

"Any 7 residents of this state may apply to the commissioner for permission to organize a credit union." (section 1)

"The approval for permission to organize a credit union is discretionary with the commissioner." [section 1(c)]

"The commissioner shall notify the applicants of his or her decision. If the decision is favorable, he or she shall issue in duplicate certificates of organization and approved bylaws." [section 1(d)]

"The commissioner shall prepare an approved form of certificate of organization and a form of bylaws consistent with this act and shall furnish them upon request without charge to credit unions and persons desiring to organize credit unions." [section 1(g)]

"An amendment to the certificate of organization or bylaws shall be approved by the commissioner before becoming operative." [section 2]

"The capital of a credit union shall consist of the payments that have been made to it by the members on shares." (section 12)

## Proposed Organizers Certification

We, the undersigned proposed organizers, being residents of the state of Michigan and of lawful age, desire to organize a credit union. We hereby make application to the Commissioner of the Office of Financial and Insurance Services for permission to organize a credit union under the provisions of state law. Each of us certifies the statements contained herein are true to his/her best knowledge and belief, and the statements are made for the purpose of inducing the Commissioner of the Office of Financial and Insurance Services to grant a charter. By subscribing our names below, we further certify that we have a general understanding of the purposes and objectives of a credit union, including encouraging thrift among its members, and creating a source of credit.

<u>Signature</u>	<u>Address</u>	(Par \$ _____) <u>Number of Shares</u> <u>Subscribed</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**IMPORTANT:** Provide the signatures of at least seven (7) persons, each of whom must be an adult resident of the state of Michigan and must subscribe to at least one (1) credit union share.

Biographical Information

Pages 6-6b to be completed by *each* organizer, proposed director and officer of the credit union

Name	Principal Occupation
Residence Address	Employer
City, Village or Township and State	City, Village or Township and State
Length of Residence in Community	Office to be Held

List the principal civic, professional, social and other organizations in which you have membership or have served in an official capacity.

Financial institution(s) experience (including Directorship) during past 15 years:

Date From	Date To	Name, Location, and Work Experience	Position Held

**Biographical Information - Continued**

Employment Record--List all employment during the recent 10 years.

Date From	Date To	Name and Location of Business	Type of Business	Position Held

Business Affiliations - List all firms, companies, corporations or other business organizations of which you are currently a director, officer, employee, partner, or owner.

Name and Location of Business	Type of Business	Position Held

Other Information:

Have you ever been adjudged bankrupt or had to work out a compromise with your creditors? If yes, provide a detailed summary of the circumstances on a separate page.

☐ Yes

☐ No

Is there any pending civil litigation of any nature in which you are involved as a defendant? If yes, provide a detailed summary of the litigation on a separate page.

☐ Yes

☐ No

**Biographical Information – Continued**

Have you ever been convicted of, or pleaded nolo contendere to, any criminal offense involving dishonesty or breach of trust? If yes, provide a detailed summary of the circumstances on a separate page.

☐ Yes☐ No

Have you been subject to any administrative proceedings, disciplinary proceedings, or other adverse actions with respect to any professional license you hold or have held, including those involving any business or enterprise with which you have been associated as a partner, officer, director, or major shareholder (owning 5% or more of the outstanding stock)? If yes, provide a detailed summary of the circumstances on a separate page.

☐ Yes☐ No

Has any business or enterprise with which you are or were associated as a partner, officer, director, or major shareholder (owning 5% or more of the outstanding voting stock) been the subject of an indictment, conviction, or plea of nolo contendere on any criminal matter involving dishonesty or breach of trust? If yes, provide a detailed summary of the circumstances on a separate page.

☐ Yes☐ No

Do you have previous experience in organizing a credit union? If yes, provide the name and location of the credit union and the approximate date of the organizing activity.

☐ Yes☐ No**CERTIFICATION**

I hereby certify that the foregoing information is true and correct to the best of my knowledge and belief and that said information is submitted voluntarily by me. I understand that omissions or inaccuracies may result in denial of the application.

Signature	Date
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## General Information

### Common Bond

Membership in the proposed credit union must be limited to a group(s) having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district.

Describe the specific nature of the common bond, the group(s) to be served and the geographic area to be served, as appropriate.

### Potential Membership

The number of persons estimated to be the potential membership is \_\_\_\_\_

The number of persons expected to join the credit union at organization is \_\_\_\_\_

The estimated member share subscriptions total is \$ \_\_\_\_\_

The par value of the shares of the proposed credit union shall be \$ \_\_\_\_\_  
(Usually \$5.00, but not more than \$25.00)

Will an entrance fee be charged on joining the credit union? ☐ Yes ☐ No

If yes, state the amount of the entrance fee. \$ \_\_\_\_\_

If a business affiliation is proposed, will retirees be eligible for membership? ☐ Yes ☐ No

Will immediate family members be eligible for membership? ☐ Yes ☐ No

Will employees of the credit union be eligible for membership? ☐ Yes ☐ No

Will members who leave the field of membership be allowed to maintain membership? ☐ Yes ☐ No

Indicate the month(s) of the year in which the annual meeting will be held. State one month, or any two consecutive months: \_\_\_\_\_ , \_\_\_\_\_

Indicate the minimum voting age for members: \_\_\_\_\_

(The voting age is optional, however, it cannot exceed the age of majority. The response can be "None.")

## General Information – Continued

### Management Systems

Describe the plans for the collecting of funds for share and loan payments, the type of books and records to be developed and maintained, the surety bond, and any special or out-of-the-ordinary program for publicizing or expanding the services of the credit union.

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Describe the arrangements to be made for the bookkeeping and accounting functions of the proposed credit union.

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Describe the arrangements to be made for data processing, if applicable.

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Did any person, other than an organizer, advise or assist in the preparation of this application? If yes, state the name of the person and describe the assistance provided.

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☐ Yes

☐ No

## General Information - Continued

### Sponsor/Business Affiliation

State the complete name of the sponsor and describe the business or activity of the sponsor, if applicable.

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If the credit union name refers to the sponsor name, has this reference been ☐ Yes ☐ No discussed with and approved by the sponsor?

**Important:** If authorization for use of the sponsor name has been obtained, include evidence of the authorization on sponsor letterhead, signed by an authorized sponsor official.

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Indicate any assistance promised or offered by the sponsor.

- ☐ Payroll Deduction
- ☐ Office Space
- ☐ Clerical Assistance
- ☐ Other (Describe)

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Is there a credit union(s) which operates within the proposed field of ☐ Yes ☐ No membership? If "Yes", list the credit union(s).

**Economic and Demographic Data**  
(For Community Credit Union Applications Only)

Define the boundaries of the geographical area which comprise the community of the proposed credit union. Describe the close geographic proximity to one another, the personal acquaintance among the residents, and the community of interest, activities, and objectives.

Nature of Economy (Indicate the approximate percentage of the labor force which is dependent on the various activities in the proposed service area.)

Commercial Activity .....	_____	%
Industrial Activity .....	_____	%
Agricultural Activity .....	_____	%
Resort Activity .....	_____	%
Other (Government, schools, etc.) .....	_____	%
TOTAL ECONOMY .....	<u>100</u>	%

Source
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**Population of the Service Area**

Census Figure/Year	Current Estimate	Projected Population/Year
Source		

**Additional Information**

Include the current trend of commercial, industrial and residential development. Maps, charts, photographs and other relevant visual aids may be included

## **Benefit to Membership**

In narrative form, state reasons for the Commissioner of the Office of Financial and Insurance Services to find the organization of the proposed credit union to be consistent with the purposes of the Michigan Credit Union Act, PA 285 of 1925, as amended, (MCL 490.1 et seq.), and state the benefits to membership which will result from organizing the proposed credit union. Comments should include a discussion of: potential for membership growth and how determined; income characteristics of the field of membership; market area competition, including competition from non-depository institutions; and services to be provided.

## Prospects for Successful Operation

### Business Potential: Share, Deposit, and Loan Projections

<u>Operating Year*</u>	<u>Net Share/Deposit Growth</u>	<u>Share/Deposit Total</u>	<u>Net Loan Growth</u>	<u>Loan Total</u>
First Year	<hr/>	<hr/>	<hr/>	<hr/>
Second Year	<hr/>	<hr/>	<hr/>	<hr/>
Third Year	<hr/>	<hr/>	<hr/>	<hr/>

\*An operating year is twelve (12) consecutive months of operation.

In narrative form, discuss the prospects for successful operation of the credit union. The discussion should include the assumptions made and the methods used in arriving at the deposit and share projections, loan projections, and income and expense projections. The projections should be related to, and consistent with, the products and services to be provided to the membership. Supplemental pages may be inserted following this page for explanation of the projections and expectations.

**Pro Forma Balance Sheet**

<b>ASSETS</b>	<b>First Year</b>	<b>Second Year</b>	<b>Third Year</b>
<b>LOANS</b>			
Unsecured Loans to Members			
Real Estate Loans to Members			
Commercial Loans to Members			
All Other Loans			
<b>TOTAL LOANS</b>			
Less: Allowance for Loans Losses			
<b>NET LOANS</b>			
<b>INVESTMENTS</b>			
U.S. Government & Agency Securities			
Corporate Central Credit Union			
Other Credit Unions			
Commercial Banks			
Thrifts / Savings Banks			
Other Investments			
<b>TOTAL INVESTMENTS</b>			
<b>OTHER ASSETS</b>			
NCUA Share Ins. Capitalization Deposit			
Net Fixed Assets (Property & Equipment)			
Miscellaneous Assets			
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Notes Payable			
Accrued Dividends / Interest Payable			
Other Liabilities			
<b>TOTAL LIABILITIES</b>			
<b>SHARES AND DEPOSITS</b>			
Member Drafts			
Member Shares/Certificates of Deposit			
IRA / Keogh Retirement Accounts			
Other Shares / Deposits			
<b>TOTAL SHARES AND DEPOSITS</b>			
<b>EQUITY</b>			
Required Reserves			
Special Reserves			
Other Reserves			
Undivided Earnings			
<b>TOTAL EQUITY</b>			
<b>TOTAL LIABILITIES AND EQUITY</b>			

**Pro Forma Statement of Income and Expense**

	<b>First Year</b>	<b>Second Year</b>	<b>Third Year</b>
<b>INTEREST INCOME</b>			
Loans			
Less: Interest Refunded (if any)			
Investments			
Other Income			
<b>TOTAL INTEREST INCOME</b>			
<b>INTEREST / DIVIDEND EXPENSE</b>			
Dividends on Shares			
Interest on Deposits			
Interest on Borrowed Funds			
<b>TOTAL INT / DIV EXPENSE</b>			
<b>NET INTEREST INCOME</b>			
<b>OPERATING EXPENSES</b>			
Employee Compensation and Benefits			
Office Occupancy Expense			
Office Operations Expense			
Professional & Outside Services			
Examination & Supervision Fees			
Provision for Loan Losses			
Other Operating Expenses			
<b>TOTAL OPERATING EXPENSES</b>			
<b>NET OPERATING INCOME</b>			
<b>NON-OPERATING GAINS OR (LOSSES)</b>			
Investments			
Disposition of Fixed Assets			
<b>STATUTORY RESERVE TRANSFER</b>			
<b>NET INCOME AFTER TRANSFER</b>			
<b>OTHER ADDITIONS OR DEDUCTIONS</b>			
Gain or Loss to Undivided Earnings			
Undivided Earnings Carried Forward			
<b>UNDIVIDED EARNINGS AT YEAR END</b>			



**Proposed Home Office**

A. Will the proposed home office be leased?

☐ Yes☐ No

Terms of the Proposed Lease	
Termination Clause? <input type="checkbox"/> Yes <input type="checkbox"/> No      Renewal Option? <input type="checkbox"/> Yes <input type="checkbox"/> No	Annual Rent \$

Anticipated Cost of Leasehold Improvements..... \$ \_\_\_\_\_

Portion of Leasehold Improvements to be Capitalized..... \$ \_\_\_\_\_

Purchase Price if Optioned ..... \$ \_\_\_\_\_

Option may be exercised under the following conditions	
Name of Lessor	Address

Were any fixed assets purchased from an organizer or a party affiliated with an organizer?

☐ Yes☐ No

If yes, attach evidence of the reasonableness of the cost of the asset, a copy of an independent appraisal, and/or other supporting evidence.

Is an organizer or a party affiliated with an organizer a principal in a lease or contract involving the proposed asset transaction?

☐ Yes☐ No

If yes, explain the involvement. Furnish documentation to support the fair market value and the arms-length nature of the transaction. Attach a copy of the proposed lease or contract.

B. Will the proposed home office facilities be obtained by other means?  
If yes, explain the other means.☐ Yes☐ No**OPENING**

The proposed credit union could be opened in temporary quarters on or before: \_\_\_\_\_

## Statutory Criteria: De Novo Credit Unions

(Source: The Michigan Credit Union Act, P.A. 285 of 1925, as amended)

<u>SECTION #</u>	<u>DESCRIPTION</u>
1(a)	<u>Application</u>
1(a)(1)	(a) Name and location of proposed credit union.
1(a)(2)	(b) Names and address of organizers: <ul style="list-style-type: none"> <li>(1) Minimum of seven (7);</li> <li>(2) Residents of Michigan (ALL);</li> <li>(3) Number of shares subscribed.</li> </ul>
1(b)	(c) \$25 application fee.
1(c)	<u>Approval</u> (Due within 60 days after date of filing)
1(c)	(a) Criteria for approval: <ul style="list-style-type: none"> <li>(1) Proposed credit union would benefit its members;</li> <li>(2) Deposits (shares) insured by NCUA;</li> <li>(3) Proposed credit union is consistent with the purposes of the Michigan Credit Union Act;</li> <li>(4) Discretionary with the Commissioner.</li> </ul>
1(d)	(b) Certificate of Organization and Bylaws issued upon approval.
	(c) Certificate of Approval issued upon execution of Certificate of Organization and adoption of Bylaws by organizers.
1(e)	<u>Body Corporate</u> (Upon issuance of the Certificate of Approval)
12	<u>Capital</u> (Shall consist of members share accounts)
1(d)	<u>Denial of Application</u> <ul style="list-style-type: none"> <li>(a) Applicant request for hearing (within 30 days after mailing of decision);</li> <li>(b) Hearing scheduled (within 10 days after receipt of request for a hearing);</li> <li>(c) Hearing held within 60 days after receipt of request for a hearing;</li> <li>(d) Appeal to Circuit Court of the county where the proposed credit union is to be located, or to Ingham County Circuit Court (within 30 days after mailing of hearing decision).</li> </ul>
7	<u>Fiscal Year</u> (Shall end December 31)